UK STEEL INDUSTRY IN CRISIS

This week the news has been focused on what looks to be the end of the steel industry in the UK. While it is unsurprising that heavy industry is finding it difficult to compete with lower wage countries, especially as the global economy adjusts to slower growth, it further underlines the nation's dependence on the services sector. After the financial crisis there was much talk of rebalancing the economy to be less dependent on the financial industry, that goal is now further away than ever.

Elsewhere the recent volatility in global markets has paused slightly; eyes are focused on upcoming US economic data releases and the effectiveness of the ECB to see off deflation. The rout in commodities and oil has been tapered back and there is no consensus on if these markets are turning a corner or if we're just in the eye of the storm. Whichever view proves correct it seems unlikely the calm will last for long.

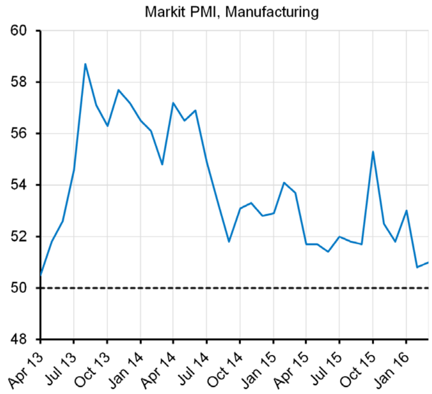
THE MARKETS THIS WEEK

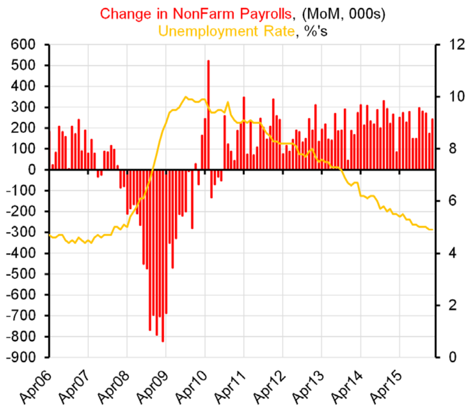
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-0.39%	+1.34%	-1.44%	+0.78%	-0.57%	-0.88%	-2.29%	-2.10%	+6.45%	+1.43%	+2.27%

UK: TATA STEEL PUT UP FOR SALE

Tata Steel, Britain's largest steel manufacturer has been thrown into crisis after its Indian parent put the company up for sale on Tuesday. As a consequence, it means that the jobs of 15,000 workers are jeapordised. The government have reassured industry leaders that they could intervene in order to protect the national economic interest, however with former British Steel plants in Port Talbot alone losing in the region of £1m a day, the prospects look bleak. Today, the book value of Tata's UK steel operations are "almost zero", a far cry from the £6.2bn the company paid to acquire the units in 2007.

The news surrounding Tata Steel comes as a depressing picture of the UK's manufacturing sector was painted by Markit. According to their purchasing managers' index, growth in the sector was weaker than expected for March, coming in at 51 for the month. For the first three months of the year, the PMI averaged out at 51.6, which equals the lowest quarterly figure since early 2013.





US: YELLEN REMAINS DOVISH ON RATE RISE

On Tuesday, Federal Reserve chair Janet Yellen echoed the need to "proceed cautiously" in hiking interest rates, defying more hawkish comments which have been made by her colleagues in recent weeks. Equities reacted positively to the statement, as stocks on Wall Street rose to their highest level in 2016. Meanwhile, 10-year Treasury yields fell as investors piled into bonds, sending the yield to its lowest level since the end of February.

One key indicator which the Fed look at is trends in the US labour market, which on the surface appears to be tightening. Economists at the International Monetary Fund anticipate the participation rate to increase to 63 per cent in the coming months, however slack is still evident, with the number of part-time workers who cannot find full time jobs above long-term averages. Every US jobs report appears to be described as "crucial" and the one announced today was no different. Analyst forecasts were met as 215,000 positions were added in March while the unemployment rate increased slightly to 5 per cent.

JAPAN: BUSINESS SENTIMENT AT A THREE YEAR LOW

The Japanese governments' Abenomics programme is facing its litmus test, as business sentiment among Japan's large manufacturers fell to a three year low this week. Pressure on the Bank of Japan is ramping up while it struggles to reassure investors that is still has the available tools to engineer a corporate spending boom. With big corporations planning cuts in capital expenditure for the current fiscal year, one can only question the credibility of the BOJ's money printing policy, and whether it is having the desired effect.

On Wednesday, Abe insisted that the planned sales tax hike scheduled for next year is still likely to go ahead. They key reason behind such an increase is to control the country's bulging debt pile, however such a hike could risk derailing a recovery that has failed to materialise so far. Japanese government debt is the highest among industrial nations at over 200 per cent of GDP. The first sales tax hike in 2014 plunged the economy into recession, while the second step of the process will see the level increased from 8 to 10 per cent.